



UNIVERSITETET I AGDER

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Course code:	ORG409
Course:	International Management
Date:	29 November 2012
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Total number of pages including this	6
Aids:	Students may use a dictionary (English or Norwegian) or to/from English or Norwegian and the student's native language.
Note:	You may answer in English and/or Norwegian. You must answer 3 (three) questions. Everyone MUST answer Question 1 AND Question 2 (each weighted 40%) and EITHER Question 3 OR Question 4 (weighted 20%). Note that each question has several parts; be sure to answer each part.

Read the Case: German Automobile Companies in India . Answer a total of three (3) questions. Everyone MUST answer Question 1 and Question 2 (each weighted 40%) and EITHER Question 3 OR Question 4 (weighted 20%). Note that each question has several parts; be sure to answer each part.

Start each question on a new answer sheet.

Be sure that your answer shows both that you know the theory and can use it in analyzing the case.

Question 1: (40%)

Mercedes has many local (Indian) suppliers.

- A) India is an example of a high context culture and Germany is an example of a low context culture. Describe high context culture and low context culture. How would these differences between Germany and India influence the communication of Mercedes with their Indian suppliers?
- B) Present and discuss the framework for inter-cultural negotiations.
- C) What differences in negotiation are expected when a German company is negotiating with an Indian company?
- D) What are the implications for the outcome?

Question 2: (40%)

Chacko, head of VW India, was born in India. Honegg, who was the Indian Managing Director and CEO for Mercedes-Benz, is a German.

- A) Drawing on theory, discuss how the leadership styles of Chacko and Honegg might differ?
- B) What are the universal characteristics of a good leader; what are the culturally contingent leadership behaviors?
- C) Argue, based on theory, whether Chacko and Honegg would be good leaders for the Indian subsidiaries.
- D) A good leader needs to motivate the employees. Discuss how environmental and cultural factors would be expected to influence the motivation of the Indian workers.

ANSWER EITHER QUESTION 3 OR QUESTION 4:

Question 3: (20%)

Organizational structure and control is contingent on, among other things, cultural dimensions.

- A) Present, based on the cultural profiles, the structure and control characteristics for Germany and India.
- B) What are the implications for structure and control for a German company in India?

Question 4: (20%)

Honegg replaced Aulbur as head of the Mercedes operation in India; he is now returning to Germany.

- a) Dual allegiance is an issue for expats. Discuss dual allegiance for Honegg and Aulbur.
- b) What is expatriation success? Analyze the expatriation success or failure of Honegg and Aulbur.

END OF QUESTIONS – BE SURE THAT YOU HAVE ANSWERED QUESTIONS 1 AND 2, AND EITHER 3 OR 4.

ORG409
Case prepared for exam purposes

German automobile companies in India

Two German automobile companies, **VW** and **Mercedes**, are big players in India. A recent article in the Economist describes their activities in India.

*Take Pune in west India, a booming industrial hub that has won the steely hearts of Germany's car firms. Inside a \$700m **Volkswagen** plant on the city's outskirts, laser-welding robots test car frames' dimensions and a giant conveyor belt slips by, with sprung-wood surfaces to protect workers' knees. It is "probably the cheapest factory we have worldwide", says **John Chacko**, VW's boss in India. In time it could become an export hub. Nearby, in the distance it takes a Polo to get to 60mph, is a plant owned by **Mercedes-Benz**.*

*Both German firms were attracted by (fairly) reliable power and access to land but also Pune's engineering colleges and tradition of manufacturing. "It is a hub for auto-suppliers," says **Peter Honegg**, Mercedes's boss. Smaller firms are arriving too. . . Pune hosts 262 German companies, up from 130-odd in 2008.*

*The foreign influx is not limited to Germans; and local suppliers benefit regardless. Three-quarters of **VW**'s parts are bought locally. Some foreigners are not really manufacturing but rather assembling imported parts to get around Indian customs duties. Still they use some Indian suppliers too—30-40% of Mercedes's components are local.*

The **Volkswagon** group, headquartered in Pune, includes Volkswagon, Audi and Skoda.

*"The highest volume brand of the Group is **Volkswagen**. Europe's most successful car brand has made successful inroads into the Indian market. . . Both the sedans (note: Passat and Jetta) are being assembled locally. . . A crucial element of the **Volkswagen**'s strategy is to establish a long-term presence in India is the Group's production facility near Pune in the Chakan Industrial Park. The investment with a total sum of around INR 3,800 crore (580 million Euros) is the biggest investment of a German company realized in India so far. The plant, one of the most modern in the **Volkswagen** Group has a high level of vertical integration – not least attributable to the high share of local suppliers... some 2,500 employees at the end of 2010, primarily from the region itself. With the investment, the vertical integration of suppliers and the employment of people Volkswagen will thus demonstrate its commitment to the new site.*

*Simultaneously **Volkswagen** contributes to a positive development of the economy of the region and of Maharashtra at the same time. (from Volkswagen India webpage)*

In 2010 **VW** appointed Dr. John **Chacko** as new Volkswagen Group Chief Representative India and President and Managing Director (MD), **Volkswagen** India Private Limited.

*An engineer with a B. Tech degree from IIT Madras (Indian Institute of Technology, Madras), Dr John **Chacko** has been a part of the **Volkswagen** Group since 1978. Previously, as Technical Project Leader for **Volkswagen's** Project India, the Delhi-born Dr **Chacko** played a key-role in the decision making process towards **Volkswagen** Board's resolution to take the step into the Indian Market with a fullfledged production base. He has played a key role in the successful setting-up of the Group's production facility near Pune in the Chakan Industrial Park. His experience and expertise in the Indian auto industry will add great value as the company enters its tenth year in India.*

*Prior to his appointment as Technical Project Leader of the Feasibility Volkswagen Project India in 2006, Dr. **Chacko** held various positions within the **Volkswagen** Group globally.*

Mercedes-Benz's appointment of **Peter T. Honegg** as the India Managing Director (MD) and Chief Executive Office (CEO) also occurred in November 2010.

*Peter T Honegg will succeed **Wilfried Aulbur** as the new MD and CEO of Mercedes-Benz India," the Indian subsidiary of the company said in a statement. **Honegg**, who has been with Daimler AG since 1976, is presently the President and CEO of Mercedes-Benz Malaysia. "**Honegg** has rich experience of managing high growth markets and is expected to take upon his new role in first quarter 2011," Mercedes-Benz India said. Earlier in September, the company had announced resignation of **Aulbur**, a move that surprised industry people. Industry sources had pointed out that **Aulbur**, who would complete five years as the India Head of Mercedes Benz by the end of 2010, is likely to move out of the automobile sector but remain in the country. "After staying (for) five years in India, he is in love with the country. He has, in fact, married Rekha Srinivasan -- an Indian woman. He will most probably stay here forever," a source close to the development had said. A German by birth, **Aulbur** did his doctoral and post- doctoral studies in physics in the US. For a short period, he was with Mercedes-Benz India in the early 80s. Later, in 2005, he joined the company again as India Head. The company started assembling its vehicles within the country at a facility in Chakan, Maharashtra in January 2009... After being the numero-uno luxury car-maker in*

India for years, Mercedes-Benz lost its leadership position to rival BMW in 2009 and reported a decline of 10.43 per cent in sales in the country last year. (Deccan Herald, New Delhi, Nov 27, 2010(PTI)

However, after only two years, **Honegg** will leave India and head Daimler AG's head quarters in Germany. "In a recent statement, Mercedes-Benz India has said **Peter Honegg** has decided to move to Germany citing personal reasons."

***Peter Honegg** has been an Asian specialist of sorts for Mercedes-Benz and it is surprising that he has decided to move on within two years. He has been working with Mercedes-Benz and Daimler since more than three decades and has been credited with boosting Mercedes-Benz in China and Malaysia.*

*Mercedes-Benz India which lost its top spot in the luxury car segment in the country was expected to fight back under the leadership of Peter **Honegg**. He will be moving to Germany in December this year.. . Mercedes-Benz India which was the leader in the luxury car segment in the early 2000s has been relegated to third spot after the arrival of BMW and Audi. Although the Daimler AG owned luxury carmaker has been saying it is not worried too much about sales volumes, it is quite evident that the company has been rattled by the increasing sales of its competitors. (Published: Saturday, October 6, 2012, 14:44 [IST] DriveSpark.com)*

